

Securities and Exchange Commission

§ 250.87

services or construction, that of a holding company or fiscal or financial agency of a holding company, or that of an investment company or investment trust; and, incidentally to such business, performs such services or construction or sells such goods; or

(b) Such services, construction, or goods are reasonably required by such associate to meet a break-down or other emergency, and the parties believe in good faith that, under the conditions then existing, such transaction will be to the advantage of such associate; or

(c) Such transaction consists of performance of a contract made before August 26, 1935, for the construction of a specific project, building, or unit, pursuant to which contract substantial expenses were incurred before August 26, 1935; or

(d) Such transaction consists of the sale, at not more than cost less depreciation, of goods purchased by such holding company for its own use; or

(e) Such transaction consists of a sale of goods which is merely incidental to a sale of an entire business or a substantial portion thereof, or to a sale of assets other than goods; or

(f) Such transaction, although not exempted by any of the foregoing paragraphs of this section, is not in the regular course of business of such holding company and does not involve a cost to the associate of more than \$2,500, including the cost of such associate of all previous transactions with such holding company consummated in the same fiscal year which were exempted only by this paragraph.

§ 250.86 Prohibition of unauthorized transactions by subsidiaries.

Except as authorized by rule, regulation, or order of the Commission, no subsidiary company (including a mutual service company) of a registered holding company shall—whether or not pursuant to a contract heretofore or hereafter entered into—perform any service or construction for, or sell any goods to, any associate company thereof, or enter into any contract to do so.

§ 250.87 Subsidiaries authorized to perform services or construction or to sell goods.

(a) Subject to compliance with the provisions of such rules, regulations, or orders of the Commission as may be applicable (including § 250.90), the following classes of subsidiary companies of registered holding companies may perform services or construction for, or sell goods to, associate companies thereof:

(1) An approved mutual service company.

(2) A subsidiary company whose organization and conduct of business the Commission has found, pursuant to § 250.88, sufficient to meet the requirements of section 13(b) of the Act.

(3) A subsidiary company which is principally engaged in the business of an operating electric or gas utility company, or any business or businesses other than that of selling goods to associate companies, that of performing services or construction, that of a holding company or fiscal or financing agency of a holding company, or that of an investment company or investment trust; and which, incidentally to such business, performs such services or construction or sells such goods.

(b) Any subsidiary of a registered holding company, whether or not it is a company specified in paragraph (a) (1), (2), or (3) of this section, may perform services or construction for; or sell goods to, an associate company thereof if:

(1) Such associate company is not an electric or gas utility company and is principally engaged in a business or businesses other than that of a holding company or fiscal or financing agency of a holding company, or that of an investment company or investment trust; or

(2) Such services, construction, or goods are reasonably required by such associate to meet a break-down or other emergency, and the parties believe in good faith that, under the conditions then existing, such transaction will be to the advantage of such associate; or

(3) Such transaction consists of performance of a contract made before August 26, 1935, for the construction of a specific project, building, or unit,